Saskatchewan
Grain Car
Corporation

Annual Report
2001/2002

Quick Facts

Quick Facts about the Saskatchewan Grain Car Corporation

as of July 31, 2002

Corporation Established Oct. 2, 1979

Offices

Executive Administration	Regina
Fleet Operations	Melville

Board of Directors

Mark Wartman, Minister responsible for the Saskatchewan Grain Car Corporation
Harvey Brooks, Deputy Minister of Highways and Transportation
Gord Nystuen, Deputy Minister of Agriculture and Food

Corporation Staff

Bernie Churko, General Manager
Tim Shoulak, Manager of Planning
Kelly Moskowy, Fleet Manager
Sandra Rathgeber, Secretary

Fleet

Cars in service	953
Cars allocated to CN (SKNX 397000-3974760)	455
Cars allocated to CP (SKPX 635000-625522)	498
Cars destroyed to date	47
Car volume	128.8 m3 (4550 ft3)
Car capacity	91 000 kg (201,000 lbs)
Load limit	91 250 kg (201,200 lbs)
Weight (empty)	28 050 (61,840 lbs)
Material	Steel
Lining	Epoxy
Dates built	February, 1981 October, 1981

Governing Legislation & Lease Agreements

The Saskatchewan Grain Corporation Act
Operating Agreement with CN, CP, and CWB
Alternate Use Agreement with CN and CP

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Letter of Transmittal

Minister of
Highways and
Transportation

SASKATCHEWAN

Legislative Building
Regina, Saskatchewan S4S 0B3
(306) 787-6447

October 31, 2002

To Her Honour
The Honourable Dr. Lynda M. Haverstock
Lieutenant-Governor of the
Province of Saskatchewan

I have the honour to submit herwith the 23rd Annual Report of the Saskatchewan Grain Car Corporation for the year ending July 31, 2002 in accordance with the Saskatchewan Grain Car Corporation Act. The Financial Statements are in the form approved by Treasury Board and have been duly certified by auditors for the Corporation.

Respectfully submitted,

Mark Wartman
Minister Responsible for the
Saskatchewan Grain Car Corporation

General Manager's Message

Saskatchewan Grain Car Corporation

Office of the General Manager
12th Floor, 1855 Victoria Ave.
Regina, Canada S4P 3V5

October 31, 2002

Honourable Mark Wartman
Chairman of the Board

Honourable Mark Wartman

I am pleased to present the Annual Report for the fiscal year ending July 31, 2002. As General Manager of the Saskatchewan Grain Car Corporation (SGCC), I am very proud to be part of the team playing a role in assisting western Canadian producers move their commodities to port and domestic destinations throughout North America.

The 2001/02 fiscal year reports a relatively strong financial performance despite the obstacles that the Corporation faced throughout the year. The lower than average interest earnings on surplus funds, the poor crop year in many parts of western Canada and the soft hopper car leasing market in North America all affected the financial performance of the Corporation this past year. SGCC's management reduced expenditures throughout the fiscal year, permitting it to come in under budget. The Corporation's resulting revenue over expenditures for the 2001/02 fiscal year is $1,196,927.

SGCC continued its partnership with West Central Road & Rail Ltd (WCRR) in the grain logistics research and development project. The project's goal is to utilize the most modern logistics practices to lower grain handling and transportation costs to farmers. The producer car loading facility near Eston, SK was completed in the fall of 2001 and is operational. Initial reports reveal a significant savings to the local producers. Based on that success, and a successful share offering in spring of 2002, a second facility is under construction at Laporte, SK. SGCC and WCRR are currently discussing alternative strategies for transferring the results of this project to other areas of Saskatchewan so that producers in those areas can also benefit from this research.

The Corporation's involvement with the Farmer Rail Car Coalition Inc. (FRCC) as a technical advisor has grown substantially since the announcement made by the Federal Government in March 2002 to sell the hopper car fleet. The Corporation fully supports the FRCC's proposal to acquire the Federal hopper cars and believes that FRCC ownership of the Federal hopper cars will ensure that producers have the capacity to meet market demand at the lowest possible cost. It will also permit producers to be represented on industry committees and government reviews/inquiries that influence grain handling and transportation policy. The importance of a producer owned hopper car fleet is shown in the increased support for the FRCC and the expanded membership, which now includes fourteen farm organizations. The Corporation's staff has been involved extensively in preparing the business plan for purchasing the Federal Government's fleet of approximately 13,000 rail hopper cars on behalf of western Canadian farmers.

The Corporation's staff also works directly with various individual producers and producer groups in addressing their concerns with grain handling and transportation systems. The Corporation's staff helps producers and producer groups identify grain handling and transportation options that help improve the effectiveness of the system and increase net revenues to the producers.

As in the past, I am very proud of the Corporation's involvement in Saskatchewan agriculture. I know that the Corporation's staff will continue to dedicate themselves to improving grain handling and transportation in Saskatchewan, for now, and into the future.

Bernie Churko
General Manager

Corporate Profile

Profile

In 1981, the Government of Saskatchewan made a strategic investment of approximately $55,000,000 in Canada's grain transportation system by purchasing 1,000 covered hopper cars for the movement of export grain grown by western producers. This investment led to the development of the Saskatchewan Grain Car Corporation (SGCC) a Treasury Board Crown Corporation operating under the authority of the Saskatchewan Grain Car Corporation Act.

The provision of the Saskatchewan Grain Car Corporation cars in grain service assists the grain industry in meeting its export targets with statutory grain service, and with the movement of grain from country origins across the prairies to inland destinations throughout Canada, the United States, and Mexico with commercial or alternate use grain movements.

Mission

"To maximize the economic benefits to Saskatchewan agriculture as a first priority, other Saskatchewan industries as a second priority, and the province in general, through the effective and efficient use of its resources."

Organization Chart

as of July 31, 2002

Corporate Report

The Saskatchewan Grain Car Corporation's (SGCC) first priority is to maximize the economic benefits to Saskatchewan agriculture. The Corporation is committed to ensuring the timely movement of Saskatchewan commodities to port and domestic destination in the 953 steel cover hopper car fleet.

In order to maximize the economic benefits to Saskatchewan agriculture, the Corporation must look for new and innovative ways to approach grain handling and transportation issues. The Corporation's staff keeps abreast of new developments and changes within the agricultural sector, and works with various producers and producer groups to ensure grain handling and transportation becomes as effective and efficient as possible. As part of this initiative, a producer car loading seminar was held in partnership with the Saskatchewan Association of Rural Municipalities (SARM) to help producers and producer groups learn more about producer car loading, its benefits, potential risks and the partners involved.

In the 2001/02-crop year, the Corporation has devoted considerable time to two main grain transportation initiatives. These are the Farmer Rail Car Coalition Inc. (FRCC) whose objective is to acquire the federal hopper car fleet and West Central Road & Rail Ltd. (WCRR) whose initiatives focus on improving grain handling and transportation for Saskatchewan producers.

The Corporation has acted as a technical advisor to the FRCC since 1996. This year the involvement increased considerably with the federal government announcing its intention to sell the 13,000 hopper car fleet. A commitment of up to $450,000 in funding including in-kind technical support was made in June of 2002 to develop a business plan for the FRCC to purchase this hopper car fleet. This commitment demonstrates the Corporation's strong support for western Canadian farmers' transportation issues.

The Corporation continues its involvement with WCRR. The first of six producer car loading facilities planned by WCRR was opened in the fall of 2001 with the first train run from the Eston, SK site on December 12, 2001. To date preliminary reports revealed considerable savings to producers. After a successful share offering the construction of a second producer car loading facility near Laporte, SK started and is expected to be complete by mid-November 2002.

2001/2002 Key Activities

Farmer Rail Car Coalition Inc. (FRCC)

- *Provide technical advisory services and financial assistance in the development of the business plan to purchase the federal government's fleet of approximately 13,000 hopper cars.*
- *Provide technical expertise in the proposal to the Federal Government related to the terms and conditions used in the disposal process of the hopper car fleet.*
- *Provide financial accounting support to the FRCC as part of the in-kind contributions.*

West Central Road & Rail Ltd.

- *December 12, 2001 marked the first train run from the WCRR producer car loading facility site near Eston, SK.*
- *Appointed Board Members to WCRR on February 12, 2002*
- *Construction commenced on a second producer car loading facility near Laporte, SK.*

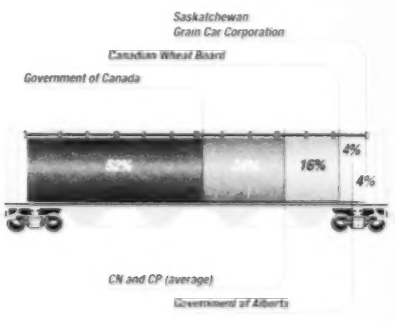
Producer Involvement

- *Co-sponsored a Producer Car Loading Seminar with the Saskatchewan Association of Rural Municipalities (SARM).*

Administration

- *Implemented the Saskatchewan Administrative Records System (SARS) and Operation Records System (ORS). A request for approval to dispose of obsolete or superseded files was made to the Saskatchewan Archives Board based on the implementation of SARS and ORS.*

Canada's grain transportation system has 25,000 cars in service on average



Operations Overview

2001/02 Operations Highlights

- *Operating agreement covered 74.8% of all car movements*
- *455 hopper cars on CN Lines*
- *498 hopper cars on CP Lines*
- *3 hopper cars destroyed on CN Lines*
- *47 hopper cars destroyed to date*
- *9,365 carloads (798,871 tonnes)*
- *Decline of 33.1% in movements from 2000/01*
- *32.4% decline in total tonnage from 2000/01*

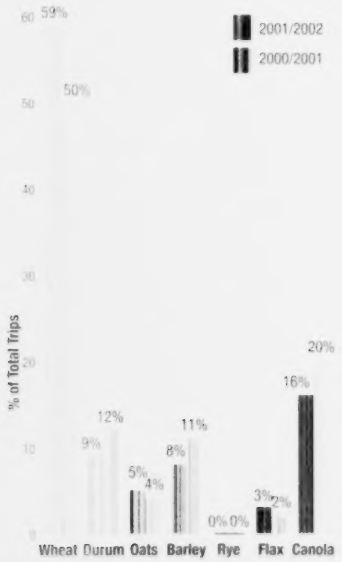
The efforts made by the Corporation's management to ensure that SGCC's hopper car fleet was used to full capacity were affected negatively by outside factors in the 2001/02-crop year. Management continued to use the computerized car tracking system to monitor the day to day movements and identify such things as bad orders, inactive cars and to determine the type of trip as either statutory or for commercial use. Unfortunately, due to the poor crop yields in the western Canadian provinces and the soft hopper car leasing market in North America, both statutory and commercial use declined in the 2001/02-crop year.

Statutory grain movements are those movements that originate in Western Canada and are exported to port facilities in Thunder Bay, Churchill, Prince Rupert and Vancouver. The 1981 Operating Agreement between SGCC, the CWB and the two major railroads, CN and CP outlines these statutory grain movements. Statutory grain service in the 2001/02-crop year accounted for 74.8% of all the car movements. Commercial/alternate use movements make up the remaining 25.2%.

CN and CP lines are assigned a certain percentage of the Corporation's hopper cars based on the total tonnes handled by each railroad in the most recent five-year period. On a bi-annual basis this formula can be applied to reallocate cars to the appropriate railroad. There was no request for reallocation in the 2001/02-year. CN had 458 hopper cars assigned to their lines and CP had 498 hopper cars at the beginning of the 2001/02-crop year. CN had three destroyed hopper cars in the 2001/02-crop year bringing their total assigned number of cars down to 455. The total number of destroyed hopper cars since 1981 is currently 47. A detailed summary of the destroyed cars is found on page 26 of this report. The Association of American Railroads (AAR) sets the guidelines for compensation of the destroyed hopper cars. The responsible railroad is required to compensate the Corporation based on these guidelines. Any reimbursements SGCC receives for the destroyed hopper cars are put into a reserve fund, which was initially set up for the future replacement of hopper cars.

The total hopper car movements for the 2001/02-crop year were 9,365 carloads (796,871 tonnes). This is a decline in carloads of 33.1% and in tonnage of 32.4% from the 2000/01-crop year.

Summary of all grain (Statutory and Commercial) movements in SGCC cars 2002/01—2001/00



Summary of all grain (Statutory and Commercial) movements in SGCC cars

	2001/2002		*2000/2001*	
Commodity	*Total Trips*	*Tonnes*	*Total Trips*	*Tonnes*
Wheat	5,541	491,855	6,993	621,312
Durum	828	74,070	1,739	155,846
Oats	455	33,703	578	42,659
Barley	771	62,194	1,526	119,549
Rye	6	450	12	900
Flax	259	19,399	286	21,012
Canola	1,505	115,200	2,854	217,479
Total	9,365	796,871	13,988	1,178,757

Statutory Grain Service

As a result of the depressed agriculture sector in the 2001/2002-crop year, movements of the six major grains to port have declined drastically from 2000/01. The statutory movements in 2001/02 totaled 7,007 carloads as compared to the 11,143 carloads in 2000/01. This is a 37.1% decline in movements from the last crop year. Overall statutory movements remain the majority of the movements made by the Corporation's fleet with a total of 74.8% of all movements. This is down slightly from the 79.7% majority of last year.

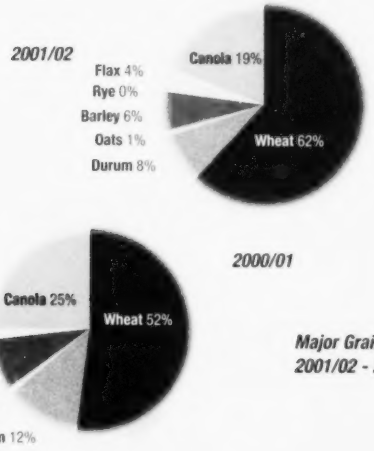
Statutory movements are allowed under the original 1981 Operating Agreement between the SGCC, CN, CP and CWB in which the rail companies are allowed to use the Corporation cars free of charge to move the six major grains from the Prairie Provinces to port for export. The six major grains covered under the original 1981 agreement included: Wheat/Durum, Oats, Barley, Rye, Flax, and Canola. As the agricultural sector has diversified and evolved this list was expanded and now includes approximately 60-grain crops or products as listed under Schedule II of the Canada Transportation Act. Movement of these Schedule II commodities, to port for export, are considered statutory movements and the railways are allowed to use SGCC hopper cars at no charge.

2001/02 Statutory Service Highlights

- *74.8% of all movements were statutory movements, down slightly from 79.9% in 2000/01*
- *4,136 fewer movements, a 37.1% decrease in movements and 36.5% decrease in tonnage*
- *7,007 carloads (599,611 tonnes)*
- *Wheat makes up 62.5% of all the statutory movements, this is an 10% increase from last year*

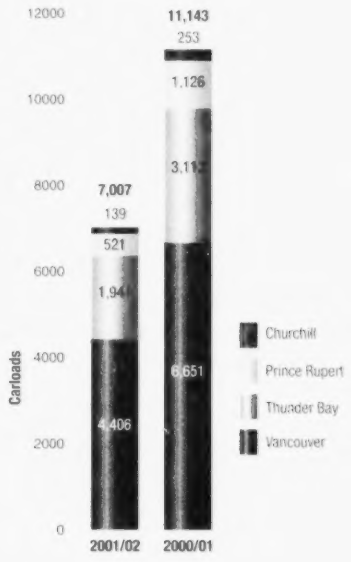
Summary of all grain Statutory movements in SGCC cars

	2001/2002		2000/2001	
Commodity	*Total Trips*	*Tonnes*	*Total Trips*	*Tonnes*
Wheat	4,378	389,523	5,839	520,220
Durum	533	47,602	1,310	118,011
Oats	65	4,453	132	9,209
Barley	415	34,534	846	67,938
Rye	0	0	1	75
Flax	257	19,249	277	20,337
Canola	1,359	104,250	2,738	208,779
Total	7,007	599,611	11,143	944,569



Major Grains carried to port 2001/02 - 2000/01

Statutory Grain Services – Destinations 2002/01—2001/00



2001/02 Commercial Service Highlights

- *Decrease of 487 commercial movements*
- *20.3% decrease in revenue from 2000/01*
- *2,358 hopper car movements (197,260)*
- *17.1% decrease in movements and 15.8% increase in tonnage*
- *$3,630 in potash revenues*

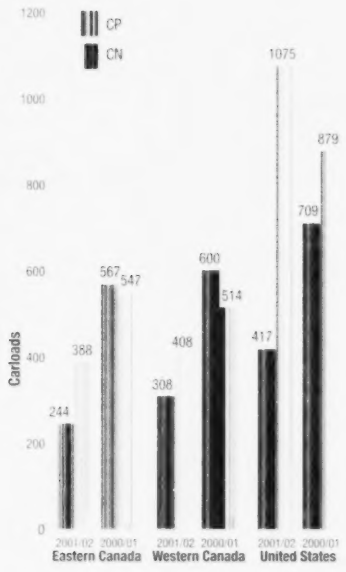
Alternate Use/Commercial Service

Alternate use movements were also affected by the downturn in the agriculture economy and the soft hopper car leasing market. However, the decline in alternate use movements was not as dramatic as with the statutory movements. There were 487 fewer trips made in the 2001/02-crop year, which resulted in a 17.1% decrease in carloads and a 15.8% decrease in total tonnage. Alternate use revenues were also affected negatively with the decrease in movements. The total alternate use revenue for the 2001/02-year was $1.04 million as compared to the $1.304 million earned last year. This decrease resulted in a total of 2,358 carloads (197,260 tonnes) as compared to 2,845 carloads (234,189 tonnes) in 2000/01.

Despite the negative factors, the overall percentage of alternate use movements compared to statutory movements remained strong with 25.2% of all movements. This is up from 2000/01 when alternate use movements made up 20.3% of the total movements.

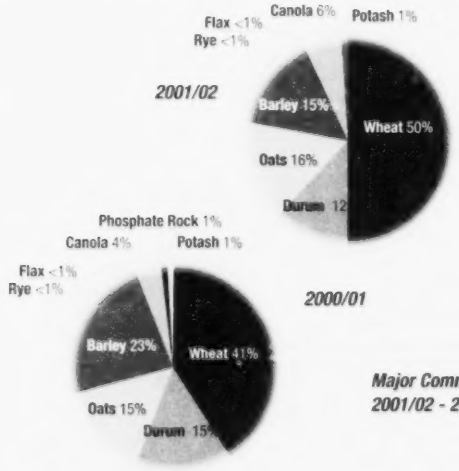
When the SGCC hopper cars are not being used to export grain to port, the railways have approval to use the hopper cars for alternate use or commercial movements. The use of SGCC hopper cars for alternate use or commercial movements started in the late 1980's and continues to be a revenue source for the Corporation. The majority of the revenue from alternate uses comes from the two major railways, CN and CP. They mainly use the hopper cars to move the six major grains to domestic locations throughout Canada and the United States. *(Continued on next page).*

Commercial Service–Destinations 2001/02—2000/01



Summary of all grain Commercial movements in SGCC cars

	2001/2002		2000/2001	
Commodity	*Total Trips*	*Tonnes*	*Total Trips*	*Tonnes*
Wheat	1,163	102,332	1,154	101,093
Durum	295	26,468	429	37,835
Oats	390	29,250	446	33,450
Barley	356	27,660	680	51,611
Rye	6	450	11	825
Flax	2	150	9	675
Canola	146	10,950	116	8,700
Total	2,358	197,260	2,845	234,189



Major Commodities carried – Alternate Use 2001/02 - 2000/01

Alternate Use/Commercial Service (continued)

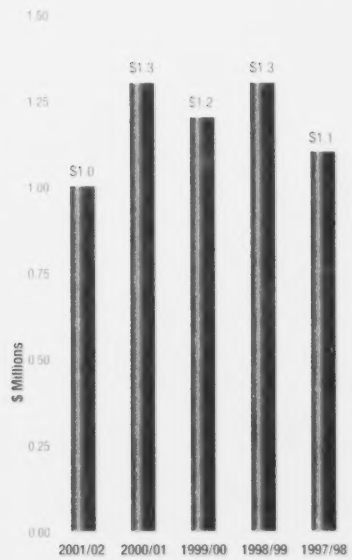
Phosphate rock and potash are two non-grain products that use the Corporation's hopper cars. CN utilizes the hopper cars to move phosphate rock from the Vancouver port to the Agrium's fertilizer facility in Beamer, AB. This helps to reduce the number of empty cars moving through the Edmonton-Vancouver corridor. Unfortunately for SGCC, there were no phosphate rock movements in the past year. However, CN did employ the SGCC hopper cars for potash movements. In 2001/02 there were a total of 14 trips resulting in $6,630 in revenue for the Corporation. Although, the number of trips is down by 8 from last year the revenue generated is only down by $25 due to the number of days billed for each movement.

As always, the Corporation's management is focused on ensuring that the hopper cars are utilized to their full capacity in the statutory grain services. The Corporation is also continually looking for new opportunities to better utilize the hopper cars during downtime.

Financial Highlights

for the year ended July 31, 2002

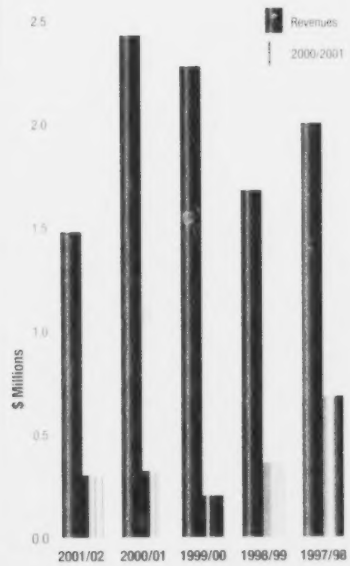
Commercial Service Revenues



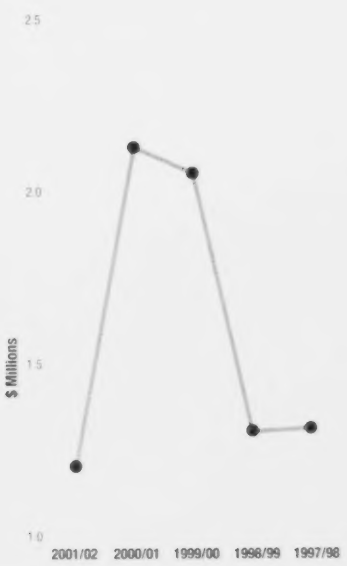
		Budget		Actual
Total Revenue	**$**	**1,915,000**	**$**	**1,472,349**
Car Leasing		1,200,000		1,037,918
Interest		650,000		342,988
Destroyed cars		65,000		91,443
Total expenditure	**$**	**403,000**	**$**	**275,422**
Excess of Revenue over Expenditure	**$**	**1,512,000**	**$**	**1,196,927**

Total Assets	**$**	**38,733,402**
Due from General Revenue Fund Operating		11,813,520
Investment in West Central Road & Rail Ltd.		407,349
Due from General Revenue Fund Reserve		2,142,161
Physical Assets Hopper Cars		24,370,372

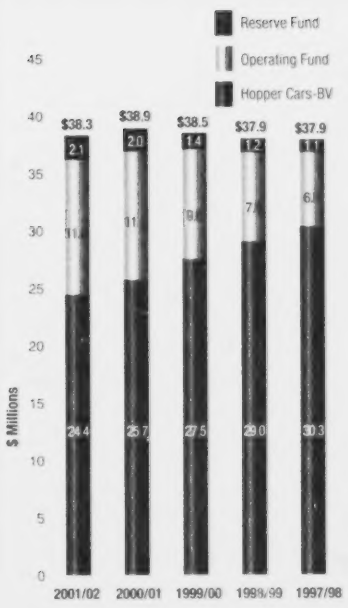
Revenues – Expenditures



Excess of Revenues over Expenditures



Total Assets



Financial Statements

2001/2002

Management's Report

The accompanying financial statements have been prepared by management of the Saskatchewan Grain Car Corporation. These financial statements have been prepared in conformity with generally accepted accounting principles in Canada, consistently applied, using management's best estimates and judgement where appropriate. Management is responsible for the reliability and integrity of the Financial Statements and other information contained in the Annual Report.

The integrity of financial records from which these financial statements are prepared is largely dependent on the systems of internal accounting controls. The purpose of such systems is to provide reasonable assurance that transactions are executed in accordance with proper authorization, transactions are appropriately recorded in order to permit preparation of accurate financial statements and assets are properly accounted for and safeguarded against loss from unauthorized use. Underlying this concept of reasonable assurance is the fact that limitations exist in any system of internal accounting controls based on the premise that the cost of such controls should not exceed the benefits derived.

Management believes that the financial statements in this Annual Report present fairly the financial position of the Corporation for the year ending July 31, 2002.

The Board of Directors has fulfilled its responsibility with respect to the financial position of the Corporation by reviewing and approving the financial statements for the year ending July 31, 2002.

The financial statements have been audited by the Corporation's external auditors, Skilnick Robertson Besler Miller & Co., Chartered Accountants, and approved by the Provincial Auditor.

Bernard Churko
General Manager
Regina, Saskatchewan

Auditor's Report

To the Members of the Legislative Assembly
Province of Saskatchewan

We have audited the statement of financial position of the Saskatchewan Grain Car Corporation as at July 31, 2002, and the statement of revenues and expenditure, net assets and cash flows for the year then ended. The corporation's management is responsible for preparing the financial statements for Treasury Board's approval. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. These standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on the test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at July 31, 2002 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

SKILNICK ROBERTSON BESLER MILLER & CO.
Chartered Accountants

Melville, Saskatchewan
October 10, 2002

Statement of Financial Position

Statement 1

as at July 31, 2002	2002			2001
	Operating Fund	**Reserve Fund**	**Total**	**Total**
Assets				
Current Assets				
Cash	$ 34,886	$	$ 34,886	$ 34,176
Due from General Revenue Fund *(Note 4)*	11,609,795	2,137,495	13,747,290	12,068,852
Accounts receivable *(Note 6)*				
- accrued interest	25,148	4,666	$ 29,814	45,085
- car leasing	143,657		143,657	450,959
- miscellaneous	34		34	192,592
Prepaid expenses			Nil	666
	$ 11,813,520	$ 2,142,161	$ 13,955,681	$ 12,792,330
Other Assets				
Investment in shares of West Central Road & Rail Ltd. *(Note 9)*	407,349		407,349	407,349
Total Assets	$ 12,220,869	$ 2,142,161	$ 14,363,030	$ 13,199,679
Liabilities and Net Assets				
Accounts payable *(Note 6)*	$ 12,462	$	$ 12,462	$ 49,615
Wage deductions payable			Nil	Nil
Goods and services taxes payable	12,702		12,702	9,125
Total liabilities	25,164	Nil	25,164	58,740
Net assets - Statement 3	12,195,705	2,142,161	14,337,866	13,140,939
Total liabilities and net assets	$ 12,220,869	$ 2,142,161	$ 14,363,030	$ 13,199,679
Investment in capital assets *(Note 7)*			$ 24,370,372	$ 25,742,100

See accompanying notes to financial statements

Approved on behalf of the Board:

Mark Wartman
Chairperson of the Board

Statement of Revenue and Expenditure

Statement 2

for the year ended July 31, 2002

	Budget	Operating Fund	Reserve Fund	2002 Total	2001 Total
Revenue					
Car leasing *(Note 2)*	$ 1,200,000	$ 1,037,918	$	$ 1,037,918	$ 1,304,835
Interest *(Notes 4 and 5)*	650,000	289,022	53,966	342,988	594,289
Compensation for destroyed cars *(Note 2)*	65,000		91,443	91,443	515,563
Total revenue	1,915,000	1,326,940	145,409	1,472,349	2,414,687
Expenditure					
General manager contract travel and sustenance *(Note 5)*	42,000	41,694		41,694	28,315
Fleet Manager contract, travel and sustenance *(Note 5)*	90,000	89,611		89,611	87,186
Salaries	71,000	80,848		80,848	29,837
Salary benefits *(Notes 5 and 8)*	6,000	5,826		5,826	4,942
Other travel and sustenance	2,000	3,509		3,509	Nil
Administration *(Schedule 1)*	192,000	53,934		53,934	135,713
Total expenditure	403,000	275,422	Nil	275,422	285,993
Excess of revenue over expenditure for the year	$ 1,512,000	$ 1,051,518	$ 145,409	$ 1,196,927	$ 2,128,694

See accompanying notes to financial statements

Statement of Net Assets

Statement 3

for the year ended July 31, 2002

	2002			*2001*
	Operating Fund	**Reserve Fund**	**Total**	**Total**
Net assets, beginning of year	$ 11,144,187	$ 1,996,752	$ 13,140,939	$ 11,012,245
Excess of revenue over expenditure for the year	1,051,518	145,409	1,196,927	2,128,694
Net assets, end of year	$ 12,195,705	$ 2,142,161	$ 14,337,866	$ 13,140,939

See accompanying notes to financial statements

Statement of Changes in Financial Position

Statement 4

for the year ended July 31, 2002	*2002*	*2001*
Cash flows from operating activities		
Excess of revenue over expenditure for the year	$ 1,196,927	$ 2,128,694
Cash flows from non-cash working capital - see summary below	482,221	11,174
	1,679,148	2,139,868
Cash flows from investing activities		
(Increase) decrease in investment in shares of West Central Road & Rail Ltd.	Nil	(407,349)
(Increase) decrease in due from General Reserve Fund	(1,678,438)	(1,742,854)
	(1,678,438)	(2,150,203)
Increase (decrease) in cash and cash equivalents	710	(10,335)
Cash and cash equivalents, beginning of year	34,176	44,511
Cash position at end of year	$ 34,886	$ 34,176

Summary of cash flows from non-cash working capital

(Increase) Decrease in Assets		
Accounts receivable	$ 515,131	$ 25,723
Prepaid expenses	666	(7)
	515,797	25,716
Increase (Decrease) in Liabilities		
Accounts payable	(37,153)	19,542
Wages deductions payable	Nil	(156)
Goods and services taxes payable	3,577	(38,928)
	(33,576)	(14,542)
	$ 482,221	$ 11,174

See accompanying notes to financial statements

Notes to Financial Statements

1. Status of the Corporation

The Saskatchewan Grain Car Corporation is a Provincial Crown Corporation established on October 2, 1979 by Order-in-Council 1787/79. The Corporation continues under the authority and provisions of The Saskatchewan Grain Car Corporation Act.

The Corporation's mission is to maximize the economic benefits to Saskatchewan agriculture as a first priority, other Saskatchewan industries as a second priority, and the Province in general, through the effective and efficient use of its resources.

2. Operating Agreement

The Corporation has entered into an agreement dated February, 1981, with the Canadian National Railway Company, Canadian Pacific Limited, and The Canadian Wheat Board which allows the railways to lease the Corporation's cars free of charge for statutory grain service. Statutory grain service refers to the movement to port of 59 – grain products as listed under Schedule II of the Canada Transportation Act.

With the approval of the Corporation, the railways may lease the Corporation's cars for commercial service, provided the cars are surplus to the requirements for statutory grain service. Commercial service includes the carriage of grain at non-regulated freight rates as well as the carriage of other bulk commodities, such as potash. The railways are required to pay an agreed leasing charge to the Corporation for these movements.

The railways are responsible for maintaining and repairing the Corporation's cars at their own expense in accordance with industry standards.

In the event that one of the Corporation's cars is damaged beyond economic repair, the railway responsible is required to compensate the Corporation for the value of the car in accordance with Rule 107 of the Interchange Rules Manual of the Association of American Railroads. The value is based on the current replacement value of the car and the age of the car. All amounts received from the railways as compensation for destroyed cars are placed in a reserve fund to be used for the purchase of new cars.

3. Significant accounting policies

The financial statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles.

The Corporation uses the accrual basis of accounting. Where the Corporation is the lessor, rental revenues from car operating leases are recognized as the service is provided to the lessee and collection is reasonably assured.

The investment in shares of West Central Road & Rail Ltd. is accounted for by the cost method with earnings reflected only to the extent of dividends received.

The preparation of the financial statements is conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant.

The financial records of the Corporation are segregated into two funds:

(i) Operating Fund, which records the operating revenues and expenditures of the Corporation; and

(ii) Reserve Fund, which records the compensation received from the railways for destroyed cars. All interest earned from cash balances is retained by the Reserve Fund.

4. Due from General Revenue Fund

Most of the Corporation's bank accounts are included in the Consolidated Offset Bank Concentration (COBC) arrangement for the Government of Saskatchewan. The Corporation's earned interest is calculated and paid by the General Reserve Fund on a quarterly basis into the Corporation's bank account using the Government's thirty borrowing rate and the Corporation's average daily bank balance. The Government's average thirty day borrowing rate for 2001/2002 is 3.02% (2000/2001 5.28%).

5. Related party transactions

These financial statements include transactions with related parties. The Corporation is related to all Saskatchewan Crown Agencies such as departments, corporations, boards, and commissions under the common control of the Government of Saskatchewan. Also, the Corporation is related to non-crown enterprises that the Government jointly controls or significantly influences.

Routine operating transactions with related parties are recorded at the rate charged by those organizations and are settled on normal trade terms.

These transactions are as follows:

	2002	*2001*
Revenue		
Government of Saskatchewan (General Revenue Fund) - interest earnings	$ 342,988	$ 594,289
Expenditure		
Department of Highways and Transportation		
- General Manager services	$ 34,784	$ 22,455
- Fleet Manager services	$ 77,293	$ 74,810
Saskatchewan Property Management Corporation		
- Office rent	$ 7,453	$ 7,938
- Printing and copying	$ Nil	$ 81
- Office supplies	$ 2,646	$ 203
- Postage	$ 129	$ 153
Saskatchewan Telecommunications - Telecommunication services	$ 6,604	$ 5,426
Crown Investments Corporation (Capital Pension Plan) - Employee pension plan contributions	$ 3,441	$ 1,641
Workers' Compensation Board (Saskatchewan)	$ 532	$(28)

Other transactions with related parties and amounts due to/from them are described separately in the financial statements and the notes thereto.

6. Financial instruments

Significant terms and conditions
There are no significant terms and conditions related to financial instruments classified as current assets or current liabilities that may affect the amount, timing or certainty of future cash flows.

Credit risk
The Corporation is exposed to credit risk from the potential non-payment of accounts receivable. The Corporation's receivables consist of amounts due from Canadian National Railway Company, Canadian Pacific Limited, and accrued interest on funds invested by the Provincial Government. The credit risk on collection of the receivable balance is minimal.

Fair value
The carrying amount of cash, due from General Revenue Fund, accounts and accounts payable approximate fair market value due to their immediate or short term nature.

7. Investment in physical assets

In 1992, the Corporation wrote off its capital assets consisting entirely of hopper cars due to the inability to project with reasonable certainty the possible future net cash flows from usage. The following is provided for information purposes.

The Corporation purchased 1,000 covered hopper cars in 1981 at a cost of $54,214,423. As of July 31, 20021, 47 cars have been destroyed; the remaining 953 cars are in service.

The investment in the hopper cars is amortized on a straight line basis over an expected useful life of 40 years.

as at July 31	*2002*			*2001*		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Rolling stock	$ 51,663,028	$ 27,292,656	$ 24,370,372	$ 51,825,817	$ 26,083,717	$ 25,742,100

The 2002 amortization	$ 1,292,701	2001 —	$ 1,305,042	
Less: Gain on disposal	(12,416)		(71,333)	
Net for the year	$ 1,280,285		$ 1,233,709	

8. Pension plan

The Corporation participates in a defined contribution pension plan for the benefit of its employees. The Corporation's financial obligation to the Capital Pension Plan is limited to making regular payments to match the amounts contributed by employees for current service. The Corporation's annual pension expense for 2002 amounted to $3,441 (2001 $1,641).

9. Investment in shares of West Central Road & Rail Ltd.

During the year the Corporation acquired 4,000 newly issued Class "E" shares of the capital stock of West Central Road & Rail Ltd. This equity investment represents the corporation's commitment to support the Research and Development aspects of Phase II (the demonstration phase) of the Grain Logistics Pilot Project. Phase II of the Pilot Project is intended to provide complete logistical services from farm-gate to port in the case of export movements, and farm-gate to commercial processing facility in the case of movements to domestic destinations throughout North America.

The Class "E" shares are transferable, non-voting except for the entitlement to elect 2 of 13 directors and participate equally in dividends and the distribution of assets on liquidation or wind-up. After June 28, 2006, the issuer may repurchase or the Corporation may retract a minimum of 1,000 shares at their fair market value as established by an independent appraiser.

The carrying value of this investment approximates fair market value.

10. Commitments

The corporation has made a commitment to contribute up to $450,000 in cash or in kind contributions to the Farmer Rail Car Coalition (FRCC) to support the research and development by the FRCC of a proposal by the FRCC to purchase on behalf of Western Farmers the Federal Fleet of approximately 13,000 rail hopper cars.

Schedule of Administrative Expenses

Schedule 1

for the year ended July 31, 2002	*2002* Budget	*2002*	*2001*
OPERATING FUND			
Advertising and promotion	$ 500	$ Nil	$ Nil
Bank charges	Nil	60	51
Computer equipment	10,000	6,432	5,212
Computer maintenance	1,000	254	32
Computer software	50,000	1,585	1,810
Consulting services	100,000	7,852	101,799
Data processing – car leasing	Nil	Nil	Nil
Miscellaneous	1,000	3,864	1,792
Office supplies *(Note 5)*	1,000	3,689	589
Postage and courier *(Note 5)*	500	129	153
Printing and copying *(Note 5)*	500	8,798	618
Professional services	12,000	5,295	10,293
Rent – office space *(Note 5)*	8,500	8,119	7,938
Subscriptions – railway data	Nil	Nil	Nil
Telecommunications *(Note 5)*	7,000	7,857	5,426
Total – to Statement 2	$ 192,000	$ 53,934	$ 135,713

See accompanying notes to financial statements

Expenditure Disclosure

for the year ended July 31, 2002

Employee receiving payments totaling $2,500 or more for salaries or wages:

	2002	*2001*
Sandra Rathgeber	$ 30,732	$ 29,837
Tim Shoulak	31,830	Nil
Shannon Lindholm	12,969	Nil
Total	$ 75,931	$ 29,837

Suppliers/consultants receiving payments totaling $25,000 or more for goods and/or services:

	2002	*2001*
West Central Road & Rail Ltd.	Nil	$ 71,799
Farmer Rail Car Coalition	Nil	$ 30,000
Total	Nil	$ 101,799

Statistical Summary

Year *as of July 31, 2002*	Cars in Service			Cars Destroyed			Car Leasing Revenues	
	CN	CP	Total	CN	CP	Total		
1979/80	-	-	-	-	-	-	-	
1980/81	477	273	750	-	-	-	-	
1981/82	477	523	1,000	-	-	-	$ 56,294	
1982/83	477	523	1,000	-	-	-	$ 11,850	
1983/84	475	523	998	2	-	2	-	
1984/85	475	523	998	-	-	-	-	
1985/86	475	523	998	-	-	-	-	
1986/87	474	523	997	1	-	1	-	
1987/88	474	523	997	-	-	-	-	
1988/89	474	523	997	-	-	-	$ 1,099,441	
1989/90	474	523	997	-	-	-	$ 92,310	
1990/91	473	523	996	1	-	1	$ 146,343	
1991/92	473	522	995	-	1	1	$ 268,342	
1992/93	473	522	995	-	-	-	$ 326,047	
1993/94	472	522	994	1	-	1	$ 816,083	
1994/95	472	518	990	-	4	4	$ 628,807	
1995/96	470	514	984	2	4	6	$ 946,233	
1996/97	468	514	982	2	-	2	$ 991,526	
1997/98	468	509	977	-	5	5	$ 1,089,116	*(See note 1, page 27)*
1998/99	468	509	977	-	-	-	$ 1,305,593	
1999/00	464	508	972	4	1	5	$ 1,189,104	*(See note 2, page 27)*
2000/01	458	498	956	6	10	16	$ 1,304,835	
2001/02	455	498	953	3	-	3	$ 1,033,158	
Total	455	498	953	22	25	47		

Notes to Statistical Summary

1. Revenue adjustments for 1997/98 fiscal year

Car leasing revenue recognized as per 1997/98 Financial Statement	$ 1,507,271
- Bad debt allowance as shown in 1997/98 Financial Statement	($ 160,000)
- Bad debt allowance as shown in 1998/99 Financial Statement	($ 53,543)
- Settlement recovery with CP for western Canada commercial moves form 1991 to 1997 realized in 1998/99	($ 204,612)
Car leasing revenue actually realized in 1997/98	$ 1,089,116

2. Revenue adjustments for 1999/00 fiscal year

Car leasing revenue recognized as per 1999/00 Financial Statement	$ 1,639,104
- Settlement recovery with CN for western Canada commercial moves form 1991 to 1997 realized in 1999/00	($ 450,000)
Car leasing revenue actually realized in 1999/00	$ 1,189,104

Notes

Corporate Information

Board of Directors

Honourable Mark Wartman
Chairman of the Board
Minister of Highways and Transportation
Minister Responsible for the
Saskatchewan Grain Car Corporation
(effective October 12, 2001)

Honourable Pat Atkinson
Chairman of the Board
Minister of Highways and Transportation
Minister Responsible for the
Saskatchewan Grain Car Corporation
(from February 8, 2001 to October 12, 2001)

Ron Styles
Deputy Minister
Department of Highways and Transportation
(from March 1, 2000 to October 12, 2001)

Harvey Brooks
Deputy Minister
Department of Highways and Transportation
(effective October 12, 2001)

Gord Nystuen
Deputy Minister
Department of Agriculture and Food
(effective January 16, 2001)

Management

Bernard Churko
General Manager
(effective June 22, 1993)

Kelly Moskowy
Fleet Manager
(effective October 1, 1998)

Tim Shoulak
Manager of Planning
(effective February 11, 2002)

For additional information:

Saskatchewan Grain Car Corporation
#108-256 2nd Avenue West
P.O. Box 2498
Melville, Saskatchewan
S0A 2P0

Telephone: (306) 728-7444
Facsimile: (306) 728-7446
email: sgcc@highways.gov.sk.ca

Bad Orders

A bad order is a car that had been deemed mechanically unfit for service.

Car Cycles

A car cycle is the time for a car to complete a trip from origin, to destination, and back to the next origin.

Commercial Service

Commercial service is defined, as the movement of any commodity not destined to port for export, or the movement of commodities to port not covered under Schedule II of the Canada Transportation Act. For these commercial movements the Corporation receives a lease fee.

Domestic and Export Markets

Canada, United States, and Mexico make up the domestic or North American market; the rest of the world is the export or offshore market.

Metric tonne

A metric tonne equals 2,204.6 pounds or 1000 kilograms, and is 10 percent larger that a 2000 pound short ton.

Phosphate Rock

Also known as phos. rock, this product is the main source of phosphoric acid for phosphate fertilizers and industrial products. A form of calcium phosphate, it also contains other materials.

Potash

Typically denotes materials containing potassium, particularly potassium fertilizer. Most fertilizer is muriate of potash (KCl), potassium chloride. Potassium combines with other minerals in specialty fertilizers.

Statutory Grain Service

Statutory grain service is the transportation of commodities which are moved port for export as defined in Schedule II of the Canada Transportation Act. Under the 1981 Operating Agreement between the Saskatchewan Grain Car Corporation, Canadian Wheat Board, CN Rail, and CP Rail, the Corporation allows CN and CP to use Corporation owned cars for the movement of Schedule II commodities to port facilities in western Canada at no cost to the railways.

Saskatchewan
Grain Car
Corporation